

Memorandum

March 17, 2015

To: Mayor and City Council

From: Measure P Oversight Committee

Re: Measure P Progress Report

The Measure P Oversight Committee is submitting its first report on how Measure P funds are being spent. This is in line with the Initiative passed by the voters in November, 2012.

Overview

With the loss in redevelopment in 2012, the City faced unprecedented deficits in its General Fund. The City had already cut its workforce by more than 20%. Employees agreed to reduce work hours by 10%. City Hall and other city facilities closed EVERY Friday. Employees also agreed to pay more for pensions and health care. These cuts reflected a real reduction in services to our residents. Even more cuts would have meant a significant reduction in the community's quality of life.

And even more cuts loomed -- such as closing a fire station, the Allan Witt Aquatics Complex, the Matt Garcia Youth Center, and the Senior Center. The police department would also take significant hits.

As you know, to avoid more cuts, the City Council placed Measure P before the voters on the November 2012 ballot. It won with support from 68% of voters.

Measure P is a 1% transaction and use tax (similar to the sales tax) with a five-year term. Measure P expires on March 31, 2018, unless it is extended. Revenues generated by Measure P are locally controlled and cannot be taken by the State.

As a requirement of Measure P, the City Council created a five-person oversight board. The "Fairfield Taxpayers Committee" was charged with ensuring "transparency and oversight of the revenue generated by Measure P". The Committee's purpose is to review the annual audit and other financial reports necessary to advise the City Council. It began meeting Nov. 26, 2013 and has consistently met on a quarterly basis.

Committee members are Shawn Byrne, Fairfield fire captain (retired), Rochelle Sherlock, an organization development/effectiveness consultant and a senior advocate, Tim Tomko, a retired engineer, Liesa Houdashelt, a retired engineer and former City of Fairfield planning

commissioner, and Marilyn Farley, a former City of Fairfield council member and former executive director of the Solano Land Trust.

Farley serves as Chair of the Committee and Houdashelt serves as Vice-Chair.

As indicated on the ballot measure, Measure P's mandate is to "maintain City services, including neighborhood police patrols, firefighters, 9-1-1 response times, crime, drug and gang prevention programs, maintenance of streets, medians and street lights, parks and recreation services, and other general services...." This includes our youth and senior services.

Financial Overview

Measure P started generating revenue to the City on April 1, 2013. In Fiscal Year 12-13, Measure P generated approximately \$3.6 million for the three months it was in effect. In Fiscal Year 13-14, the first full year of the tax, Measure P generated \$16.0 million. This accounted for approximately 20% of total revenues in the City's General Fund in Fiscal Year 13-14. This is not a trivial amount.

At our meeting on March 24, 2015, the Committee reviewed how Measure P was treated in the City Comprehensive Annual Financial Report (the City's Audit) for 2012-13 and 2013-14.

In 2013 (three months only), the Measure P component was reported as a part of sales tax rather than as a separate line item.

In the 2013-14 audit, revenue of \$16,000,486 was reported as a separate line item. However, the Committee would suggest that the wording be revised in future years, in both the budget and the audit, to identify the Transaction and use tax as "voter approved transaction and use tax". This will make it easier for interested citizens to track the tax.

In Fiscal Year 14-15, based on the budget that was adopted by City Council, Measure P is anticipated to generate approximately \$15.4 million or 20% of total General Fund revenues.

How are Measure P Funds being spent?

A year and a half into this five year budget boost, are Measure P funds being used in accord with the voter's direction? Are they making a difference?

The Measure P Committee's short answer is YES.

In Fiscal Year 2013-14, Measure P funds were used to maintain services and achieve the Council's goal of increasing General Fund reserves to at least of 20% of annual expenditures.

For Fiscal Year 2014-15, Measure P funds are being used as follows:

- 48% on police services, including new services such as a homeless intervention team and second street team;
- 16% on ending the furlough, which resulted in City Hall and other facilities being open 40 hours per week;
- 16% on keeping five fire stations open and expanding services to include a two-person rescue squad to respond to medical calls;
- 9% on local street maintenance done by the Measure P Street Team;
- 7% on community services such as the Senior Center, the Matt Garcia Center and the Allan Witt Aquatic Center; and
- 4% on other expenditures.

Our Committee is briefed at quarterly meetings on how Measure P funds are being used to improve the quality of life for Fairfield residents. For example, we heard from the Police Department's new Homeless Intervention Team about their efforts to interact with homeless residents and link them up with the services they need. Sergeant Dan Marshall and Officer Joe Uchishiba characterize their efforts as a new approach which goes far beyond simply cleaning out homeless encampments and perhaps a temporary jail stay.

We also had a deep briefing by the Public Works department on the street maintenance program. Streets are not exactly a glamorous topic. Yet they are the City's single largest asset with 690 lane miles and a replacement cost of about \$573 million!

Ideally, the City would spend \$13 million annually in street maintenance. But this isn't possible. The good news is that the budget for street repairs is up from \$2.5 million before Measure P to \$4 million now. 40% is budgeted for pothole repair and 60% for slurry seals on newer streets. A new four-member pothole repair team works exclusively on repairing the worst of the potholes on the older residential streets, while other teams are working to seal 100% of the newer residential streets over Measure P's five-year span. This will protect newer streets but will not address the deterioration of older streets. By 2030 these older streets will be rated "poor" and by 2040 "failed".

With street repair, the "best bang" for the buck is to keep the newer streets and "main" streets (arterials, in City jargon) from deteriorating. It only costs \$0.25/square foot for preventative repairs to a street compared with \$10.00/square foot or more to replace a failed street.

The Committee has also looked at General Fund reserves, a key to achieving some measure of stability. City reserves currently exceed 20%. By the time Measure P expires, the City expects to have a General Fund Reserve of at least 20% of expenditures. However, when Measure P expires, reserve levels will quickly disappear unless significant cuts are made or Measure P is extended or other revenue sources are identified

In the short term, the Committee concludes that Measure P is helping maintain our residents' quality of life.

In the long term, we wonder how the City will maintain existing levels of service and healthy reserves. We worry too about the unfunded pension liabilities reported by the auditors in their 2013-14 report.

The Committee will report back to the City Council on an annual basis or as we have new information to impart. We plan to share our reports with the public. We also encourage members of the community to attend our meetings, which are publicly noticed.